

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Paul W. Patton, Taylor County Judge/Executive

Members of the Taylor County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated the Taylor County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TAYLOR COUNTY FISCAL COURT**

**June 30, 2005**

Peercy and Gray, PSC has completed the audit of the Taylor County Fiscal Court for fiscal year ended June 30, 2005.

The combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (Hospital), a discretely presented component unit, and the Taylor County Airport Board (Airport), also a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Taylor County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component units.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Taylor County, Kentucky.

#### **Financial Condition:**

The fiscal court had unrestricted net assets of \$990,432 in its governmental activities as of June 30, 2005, with total net assets of \$4,800,136. The fiscal court's discretely presented component units had net assets of \$37,232,588 (Hospital), and \$355,471 (Airport) as of June 30, 2005. The discretely presented component units had net cash and cash equivalents of \$16,751,523 (Hospital), and \$67,207 (Airport). The fiscal court had total debt principal as of June 30, 2005 of \$559,890 with \$119,092 due within the next year. The discretely presented component units had total debt principal as of June 30, 2005 of \$9,789,339 with \$367,883 due within the next year (Hospital). No debt is related to the Taylor County Airport Board (Airport).

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.



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## PEERCY AND GRAY, PSC

**Certified Public Accountants**

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Paul W. Patton, Taylor County Judge/Executive

Members of the Taylor County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, which represents 90.0 percent and 87.6 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. We also did not audit the financial statements of the Taylor County Airport Board, a discretely presented component unit, which represents 0.7 percent and 0.2 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Taylor County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The combined financial statements of the Taylor County Hospital District and Taylor Hospital District Health Facility Corporation and the Taylor County Airport Board, discretely presented component units, are presented according to accounting principles generally accepted in the United States of America. This basis of accounting is different from the modified cash basis of accounting in that certain accruals of assets, liabilities, and expenses are made to the financial statements of the discretely presented component units that are not recognized under the modified cash basis of accounting used in preparing the financial statements of Taylor County, Kentucky.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

In our opinion, based on our report and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's combined financial statements and the Taylor County Airport Board's financial statements been prepared using the same basis of accounting as Taylor County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Taylor County, Kentucky, as of June 30, 2005, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

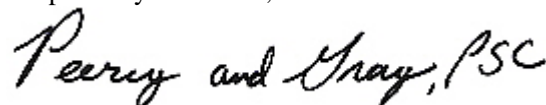
In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2006, on our consideration of Taylor County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

TAYLOR COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Paul W. Patton	County Judge/Executive
James Cochran	Magistrate
John Gaines	Magistrate
Steve Holt	Magistrate
James Jones	Magistrate
J. W. McFarland	Magistrate
Bobby Roots	Magistrate

**Other Elected Officials:**

Craig Cox	County Attorney
Rodney Burress	Jailer
Mark Carney	County Clerk
Sam Newcomb	Circuit Court Clerk
John Shipp	Sheriff
Julie Shields	Property Valuation Administrator
Terry Dabney	Coroner

**Appointed Personnel:**

Maxine White	County Treasurer
Sherry Kerr	Occupational Tax Collector



Paul W. Patton  
Judge/Executive

**Magistrates:**

James Jones - 1st Dist.  
John D. Gaines - 2nd Dist.  
James Cochran - 3rd Dist.



Melissa W. Williams  
Treasurer

**Magistrates:**

Steve Holt - 4th Dist.  
Bobby Roots - 5th Dist.  
J. W. McFarland - 6th Dist.

**OFFICE OF THE JUDGE/EXECUTIVE**  
**TAYLOR COUNTY**  
County Courthouse  
203 N. Court St., Suite 4  
Campbellsville, Kentucky 42718  
270-465-7729 • 270-465-7117

**Management's Discussion and Analysis**  
**June 30, 2005**

The financial management of Taylor County, Kentucky offers readers of Taylor County's financial statements this narrative overview and analysis of the financial activities of Taylor County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights.**

- Taylor County had net assets of \$4,800,136 as of June 30, 2005. The fiscal court had unrestricted net assets of \$990,432 in governmental activities as of June 30, 2005. Total debt for governmental activities principal as of June 30, 2005 was \$559,890 with \$119,092 due within one year.
- The governmental activities total net assets increased by \$297,512 from the prior year. This increase is primarily due to the inclusion of infrastructure (road and bridges) in capital assets.
- At the close of the current fiscal year, Taylor County governmental funds reported current assets of \$1,001,963. Of this amount, \$990,432 is available for spending at the government's discretion (unreserved fund balance).
- Taylor County's total indebtedness at the close of fiscal year June 30, 2005 was \$559,890. Debt additions were \$93,220, and debt reductions were \$131,239 for a net increase of \$38,019 for the year. This increase was due to Taylor County's financing obligations for road equipment and E911 equipment upgrade and vehicle during fiscal year 2005.

**Overview of the Financial Statements.**

This management discussion and analysis is intended to serve as an introduction to Taylor County's basic financial statements. Taylor County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



**Taylor County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Taylor County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Taylor County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Taylor County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Taylor County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, road facilities, roads, airports, and capital projects. Taylor County does not have a business type activity.

The government-wide financial statements include not only Taylor County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Taylor County has two such entities described as a major Discretely Presented Component Unit, which are the combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the Taylor County Airport Board.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Taylor County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Taylor County are *governmental funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Taylor County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Governmental Funds. (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Taylor County maintains (11) eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- Adanta Fund
- Special Fund

Taylor County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road Fund, and Jail fund to demonstrate compliance with their budgets.

**Discretely Presented Component Units.** Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. Taylor County has two discretely presented component units. These two component units' financial information is included on the government-wide financial statements of the statement of net assets and the statement of activities in two separate columns.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Taylor County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Taylor County's Net Assets**  
**Governmental Activities**

	2004	2005
<b>Assets</b>		
Current and other assets	\$1,074,699	\$1,001,963
Capital assets	4,025,833	4,358,063
Total Assets	5,100,532	5,360,026
<b>Liabilities</b>		
Current and other liabilities	127,616	119,092
Long-term liabilities	470,293	440,798
Total Liabilities	597,909	559,890
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,427,924	3,798,173
Restricted	51,920	11,531
Unrestricted	1,022,779	990,432
Total Net Assets	\$4,502,623	\$4,800,136



**Taylor County**  
**Management's Discussion and Analysis**  
**June 30, 2005**  
**(Continued)**

**Table 2**  
**Taylor County's Statement of Activities**

**Governmental Activities**

	<u>Total</u>	
	<u>2004</u>	<u>2005</u>
<b>Program Revenues:</b>		
Charges for Services	\$ 261,558	\$ 327,732
Operating Grants and Contributions	2,181,426	1,208,151
Capital Grants and Contributions	4,000	186,613
Total Program Revenues	<u>2,446,984</u>	<u>1,722,496</u>
<b>General Revenues</b>		
Taxes	3,294,096	3,801,593
Excess Fees	159,783	95,000
Unrestricted Investment Earnings	34,351	36,131
Miscellaneous Revenues	697,615	581,350
Total General Revenues	<u>4,185,845</u>	<u>4,514,074</u>
Total Revenues	6,632,829	6,236,570
<b>Program Expenses:</b>		
General Government	3,117,872	3,268,278
Protection to Persons and Property	1,420,186	1,141,999
General Health and Sanitation	253,642	330,814
Social Services	573,554	136,036
Recreation and Culture	109,081	167,282
Roads	18,042	790,476
Airports	648,339	73,584
Debt Service	70,588	23,789
Capital Projects	5,398	6,800
Total Expenses	<u>6,216,702</u>	<u>5,939,058</u>
<b>Change in Net Assets</b>	416,127	297,512
<b>Net Assets-Beginning</b>	<u>4,086,497</u>	<u>4,502,624</u>
<b>Net Assets-Ending</b>	<u><u>\$ 4,502,624</u></u>	<u><u>\$ 4,800,136</u></u>

**Taylor County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Changes in Net Assets.**

*Governmental Activities.* Taylor County's net assets increased by \$297,512 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash decreased \$72,736 due to unexpected intergovernmental and miscellaneous expenses.
- Capital assets increased \$332,230, primarily due to the improvements.
- Investment in capital assets and infrastructure, net of related debt increased by \$370,249 primarily due to the improvement of infrastructure (roads and bridges) capital assets.
- Current and long-term liabilities decreased by \$38,019.

**Financial Analysis of the County's Funds.**

As noted earlier, Taylor County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

*Governmental Funds Overview.* The focus of Taylor County governmental funds is to provide information on current inflows, outflows, and balances of spend able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2005 fiscal year, the combined ending fund balances of County governmental funds were \$1,001,963. Approximately 99% (\$990,432) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$11,531) is reserved to indicate that it is not available for new spending because it is committed for the various grant projects.

The County has (3) three major governmental, and (8) eight non-major funds.

**Major Funds:**

- General Fund
- Road Fund
- Jail Fund

**Non-major Funds:**

- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- Adanta Fund
- Special Fund

**Taylor County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

1. The General Fund is the chief operating fund of Taylor County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$695,471, while total fund balance was \$1,001,963. The County received \$3,658,406 in real property, motor vehicle, occupational, and other taxes for approximately 76% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 24% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had a \$28,894 fund balance at June 30, 2005. The fiscal year 2005 expenditures for Road and Bridge Fund were 1,371,215.
3. The Jail Fund is used to account for transporting and housing prisoners in other counties. The Jail Fund had a fund balance of \$239,867 at the end of June 30, 2005. The Jail Fund received \$99,386 for intergovernmental fees, primarily to house state prisoners in other counties. The General Fund contributed a total of \$829,928 to the Jail Fund during fiscal year 2005.
4. The Local Government Economic Assistance Fund had a fund balance of \$18,139 as of June 30, 2005, a increase of \$4,547 over the previous fiscal year end.
5. The Forest Fire Fund had a fund balance of \$390 as of June 30, 2005, a decrease of \$251 over the previous fiscal year end.
6. The PRIDE Fund had a reserved fund balance of \$0 as of June 30, 2005. This fund is used to account for a federal Personal Responsibility In a Desirable Environment Grant (PRIDE).
7. The Tebbs Bend Fund had a reserved fund balance of \$11,531 as of June 30, 2005, a decrease of \$33,892 over the previous fiscal year end. This fund is used to account for a state Kentucky Heritage Land Conservation Fund grant administered by the Kentucky Department of Natural Resources for the purpose of funding the Tebbs Bend Nature and Recreation Area in Taylor County.
8. The Kentucky Agency On Substance Abuse Prevention Fund (ASAP) had a fund balance of \$5,873 as of June 30, 2005, a decrease of \$18,352 over the previous fiscal year end.
9. The Title V Grant Fund had a reserved fund balance of \$264 as of June 30, 2005. This fund is used to account for a federal Title V Juvenile Delinquency Prevention Program grant. These funds are restricted for debt service.
10. The Adanta Fund had a reserved fund balance of \$0 as of June 30, 2005. This fund is used to account for a major federal Target Expansion Capacity grant to the purpose of funding the Abuse Treatment Women's Recovery Project administered by Team Taylor County and Adanta.
11. The Special Fund had a reserved fund balance of \$1,534 as of June 30, 2005, a decrease of \$320 over the previous fiscal year end. This fund is used to account for a federal Juvenile Accountability Incentive Block Grant (JAIBG).

**Taylor County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**General Fund Budgetary Highlights.**

Taylor County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$738,024. Budget amendments were made to various revenues and expenditures due to grants awarded in the fiscal year, intergovernmental revenues, miscellaneous medical enhancement revenue, surplus cash carried forward.

**Capital Assets and Debt Administration.**

*Capital Assets.* Taylor County's investment in capital assets for its governmental activities as of June 30, 2005, amount to \$4,358,063 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, other equipment, vehicles and equipment, infrastructure (roads and bridges).

Taylor County purchased land during the year and also incurred significant increases in infrastructure of \$336,423.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Table 3  
Taylor County's Capital Assets, Net of Accumulated Depreciation**

<b>Governmental Activities</b>		
	2004	2005
Infrastructure Assets	\$ 306,771	\$ 617,613
Land	1,077,129	1,104,629
Buildings	1,679,240	1,656,708
Other Equip.	379,111	367,452
Vehicles & Equip.	583,582	611,661
Total Net Capital Assets	\$4,025,833	\$4,358,063

*Long-Term Debt.* At the end of the 2005 fiscal year, Taylor County had total debt outstanding of \$559,890, which consists of eleven other financing obligations for various equipment and vehicles. Additional information on the County's long-term debt can be found in Note 5 of this report.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Taylor County.

**Taylor County  
Management's Discussion and Analysis  
June 30, 2005  
(Continued)**

**Requests For Information.**

This financial report is designed to provide a general overview of Taylor County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Taylor County Treasurer, 203 N. Court Street, Suite 4, Campbellsville, Kentucky 42718.

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**TAYLOR COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**





**TAYLOR COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		<b>Taylor County Hospital District/Health Facility Corporation</b>	<b>Taylor County Airport Board</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,001,963	\$ 16,751,523	\$ 67,207
Investment in JHHN Regional Service Center		371,721	
Accounts Receivable		7,880,511	1,020
Supplies and Inventory		613,889	23,695
Prepaid Expenses and Other Assets		1,730,673	6,570
Total Current Assets	<u>\$ 1,001,963</u>	<u>\$ 27,348,317</u>	<u>\$ 98,492</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 1,104,629	\$ 392,025	\$ 13,000
Construction In Progress		2,250,097	
Buildings and Improvements	1,656,708		231,582
Other Equipment	367,452		30,175
Vehicles and Equipment	611,661		
Hospital Buildings and Equipment - Net of Accumulated Depreciation		21,676,679	
Infrastructure Assets - Net of Depreciation	617,613		
Total Noncurrent Assets	<u>4,358,063</u>	<u>24,318,801</u>	<u>274,757</u>
Total Assets	<u>\$ 5,360,026</u>	<u>\$ 51,667,118</u>	<u>\$ 373,249</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations Payable	\$ 119,092	\$	\$
Accounts Payable		2,556,182	17,776
Accrued Payroll Payable		1,182,164	
Accrued Compensated Absences		906,845	
Estimated Medicare and Medicaid Payable			
Hospital Current Portion of Long Term Obligations Payable		367,883	
Total Current Liabilities	<u>\$ 119,092</u>	<u>\$ 5,013,074</u>	<u>\$ 17,776</u>
Noncurrent Liabilities:			
Financing Obligations Payable	\$ 440,798	\$	\$
Hospital Long Term Obligations Payable		9,421,456	
Total Noncurrent Liabilities	<u>440,798</u>	<u>9,421,456</u>	
Total Liabilities	<u>\$ 559,890</u>	<u>\$ 14,434,530</u>	<u>\$ 17,776</u>

The accompanying notes are an integral part of the financial statements.

**TAYLOR COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**June 30, 2005**  
**(Continued)**

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Component Unit</b>
		<b>Taylor County Hospital District/Health Facility Corporation</b>	<b>Taylor County Airport Board</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 3,798,173	\$ 9,884,271	\$ 274,757
Restricted For:			
Grant Projects	11,531		
Investment in JHHN Regional Service Center		371,721	
Hospital Depreciation Reserve		12,829,845	
Hospital Retirement Funds and Unemployment Compensation		243,169	
Unrestricted	990,432	13,903,582	80,714
Total Net Assets	<u>\$ 4,800,136</u>	<u>\$ 37,232,588</u>	<u>\$ 355,471</u>

The accompanying notes are an integral part of the financial statements.

**TAYLOR COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**TAYLOR COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

		<b>Program Revenues Received</b>		
<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,268,278	\$	\$ 190,359	\$
Protection to Persons and Property	1,141,999	50,827	99,386	186,613
General Health and Sanitation	330,814			
Social Services	136,036			
Recreation and Culture	167,282	87,095		
Roads	790,476	189,810	918,406	
Airports	73,584			
Capital Projects	6,800			
Debt Service	23,789			
Total Governmental Activities	<u>5,939,058</u>	<u>327,732</u>	<u>1,208,151</u>	<u>186,613</u>
Total Primary Government	<u>\$ 5,939,058</u>	<u>\$ 327,732</u>	<u>\$ 1,208,151</u>	<u>\$ 186,613</u>
<b>Component Units:</b>				
Taylor County Hospital District/Health Facility Corp.	\$ 42,068,952	\$ 43,402,688	\$	\$
Taylor County Airport Board	142,762	76,523		
Total Component Units	<u>\$ 42,211,714</u>	<u>\$ 43,479,211</u>	<u>\$ 0</u>	<u>\$ 0</u>

**General Revenues:**

Taxes:  
    Real Property Taxes  
    Motor Vehicle Taxes  
    Occupational Taxes  
    Ad valorem Taxes  
    Other Taxes  
Excess Fees  
Unrestricted Investment Earnings  
Equity Gains of JHHN Regional Service Center  
Contributions for Capital Equipment  
Miscellaneous Revenues  
  
Total General Revenues  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**TAYLOR COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government	Component Unit	Component Unit
	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
(3,077,919)		
(805,173)		
(330,814)		
(136,036)		
(80,187)		
317,740		
(73,584)		
(6,800)		
(23,789)		
(4,216,562)		
(4,216,562)		
	\$ 1,333,736	\$ (66,239)
3,659,382		
109,712		
32,499	769,443	
95,000		
36,131		1,173
	83,133	
	116,584	
581,350	418,727	34,500
4,514,074	2,721,623	(30,566)
297,512	2,721,623	(30,566)
4,502,624	34,510,965	386,037
\$ 4,800,136	\$ 37,232,588	\$ 355,471

The accompanying notes are an integral part of the financial statements.

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**TAYLOR COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**





**TAYLOR COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 695,471	\$ 28,894	\$ 239,867	\$ 37,731	\$ 1,001,963
Total Assets	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>	<u>\$ 1,001,963</u>
<b>FUND BALANCES</b>					
Unreserved:					
General Fund	\$ 695,471	\$	\$	\$	\$ 695,471
Special Revenue Funds		28,894	239,867	26,200	294,961
Reserved for:					
Tebbs Bend Project Grant				11,531	11,531
Total Fund Balances	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>	<u>\$ 1,001,963</u>

**Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets**

Total Fund Balances	\$ 1,001,963
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	5,585,389
Accumulated Depreciation	(1,227,326)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(559,890)
Net Assets Of Governmental Activities	<u>\$ 4,800,136</u>

The accompanying notes are an integral part of the financial statements.

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**TAYLOR COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**TAYLOR COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 3,658,406	\$	\$	\$ 976
In Lieu Tax Payments	32,499			
Excess Fees	95,000			
Licenses and Permits	109,712			
Intergovernmental	190,359	918,406	99,386	186,613
Charges for Services	137,922	189,810		
Miscellaneous	568,314	13,036		
Interest	24,850	5,579	5,210	492
Total Revenues	<u>4,817,062</u>	<u>1,126,831</u>	<u>104,596</u>	<u>188,081</u>
<b>EXPENDITURES</b>				
General Government	884,370	14,462		
Protection to Persons and Property	335,276		787,343	4,114
General Health and Sanitation	217,255	25,137		83,770
Social Services	13,089			120,856
Recreation and Culture	164,588			
Roads		690,783		15,253
Airports	62,925			
Debt Service	86,423	68,604		
Capital Projects	47,119	434,852	6,800	4,997
Administration	2,147,295	137,377	8,773	41,065
Total Expenditures	<u>3,958,340</u>	<u>1,371,215</u>	<u>802,916</u>	<u>270,055</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>858,722</u>	<u>(244,384)</u>	<u>(698,320)</u>	<u>(81,974)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds	21,000	72,220		
Transfers From Other Funds			829,928	24,962
Transfers To Other Funds	(854,890)			
Total Other Financing Sources (Uses)	<u>(833,890)</u>	<u>72,220</u>	<u>829,928</u>	<u>24,962</u>
Net Change in Fund Balances	24,832	(172,164)	131,608	(57,012)
Fund Balances - Beginning	670,639	201,058	108,259	94,743
Fund Balances - Ending	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>

The accompanying notes are an integral part of the financial statements.

**TAYLOR COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Total Governmental Funds</b>
<hr/>
\$ 3,659,382
32,499
95,000
109,712
1,394,764
327,732
581,350
36,131
<hr/>
6,236,570
<hr/>
898,832
1,126,733
326,162
133,945
164,588
706,036
62,925
155,027
493,768
2,334,510
<hr/>
6,402,526
<hr/>
(165,956)
<hr/>
93,220
854,890
(854,890)
<hr/>
93,220
<hr/>
(72,736)
1,074,699
<hr/>
\$ 1,001,963
<hr/>

The accompanying notes are an integral part of the financial statements.

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**TAYLOR COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**





**TAYLOR COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ (72,736)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay 486,968

Depreciation Expense (154,738)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions however, have no effect on net assets.

Financing Obligation Proceeds (93,220)

Financing Obligations Principal Payment 131,238

Change in Net Assets of Governmental Activities \$ 297,512

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements of the primary government. However, the combined financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, and the Taylor County Airport Board, a discretely presented component unit, are prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of the discretely presented component units is included in the government-wide statement of net assets and statement of activities.

The State Local Finance Officer does not require the primary government to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Taylor County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The two component unit columns in the government-wide financial statements include the combined data of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the data of the Taylor County Airport Board. They are reported on the Statement of Net Assets and the Statement of Activities in two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

**Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation**

The Taylor County Fiscal Court (Fiscal Court) appoints a voting majority of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's (Hospital) governing board. The Hospital is a legally separate entity. The Fiscal Court is able to impose its will on the Hospital's governing body and is entitled to any assets if the Hospital is sold. Financial information for the Hospital is presented discretely within Taylor County's financial statements.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Audited combined financial statements for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, may be requested by contacting the Taylor Regional Hospital, 1700 Old Lebanon Road, Campbellsville, Kentucky 42718.

**Taylor County Airport Board**

The Taylor County Fiscal Court appoints a voting majority of the Taylor County Airport's (Airport) governing board. The Airport is a legally separate entity. The Fiscal Court is able to impose its will on the Airport's governing body and is entitled to any assets if the Airport is sold. Financial information for the Airport is presented discretely within Taylor County's financial statements.

Audited financial statements for the Taylor County Airport Board, a discretely presented component unit, may be requested by contacting the Taylor County Airport Board, 360 Airport Road, Campbellsville, Kentucky, 42718.

Kentucky law provides for election of the officials below from the geographic area constituting Taylor County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities. The discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when used, regardless of the timing of the cash flows.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Taylor County did not have any business-type activities during the fiscal year.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forest Fire Fund, Special Fund, PRIDE Fund, Adanta Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, and Title V Grant Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, Special Fund, PRIDE Fund, Adanta Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, and Title V Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**Presentation of Component Units**

The financial statements present the following major discretely presented component units: Combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board.

These component units are presented on the Statement of Net Assets and the Statement of Activities in a two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**F. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of capital leases and financing obligations are reported.

In the fund financial statements, governmental fund types, the principal amount of the debt and interest is reported as expenditures and debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (discretely presented component unit), and the Taylor County Airport Board (discretely presented component unit) Funds are not budgeted by the County Treasurer. The Governor’s Office for Local Development does not require the Fiscal Court to report or budget these funds.

**I. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, there were no related organizations of Taylor County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Taylor County Fiscal Court:

Campbellsville-Taylor County Industrial Development Authority  
 Campbellsville-Taylor County Recreation Board.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the following is considered a jointly governed organization of the Taylor County Fiscal Court:  
 Emergency 911 Board.



**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 2. Deposits and Investments**

**Primary Government**

**A. Deposits**

The primary government (County) and component units (Hospital & Airport) maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC), in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the County and its component units may not be returned to it. The county does not have a written deposit policy but rather follows the requirements of KRS 41.240 (4). As of June 30, 2005, all deposits of the County and its component units were covered by FDIC insurance or a properly executed collateral security agreement.

**Discretely Presented Component Unit-Taylor County Hospital District/Health Facility Corporation**

**B. Investments in JHHN Regional Service Center**

During fiscal year 2000, the Hospital acquired a 5% interest in JHHN Regional Service Center (the RCS) through a cash payment of \$161,000 and a commitment to transfer inventory with a value of approximately \$172,000 in the future. During fiscal 2001, the Hospital transferred inventory with a book value of approximately \$189,000 and was reimbursed by the RSC for the difference between the actual value of the inventory transferred and the amount committed which amounted to approximately \$12,000. The RSC is a partnership that operates as a regional warehouse and distribution center. The Hospital's investment in the RSC is accounted for on the equity method as it is operated for the mutual benefit of the members of the joint venture. The Hospital purchased supplies from the RSC totaling \$2,125,000 in fiscal year 2005.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

Primary Government capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
<b>Primary Government:</b>			
<u>Governmental Activities:</u>			Ending Balance
Capital Assets Not Being Depreciated:			
Land	\$ 1,077,129	\$ 27,500	\$ 1,104,629
Total Capital Assets Not Being Depreciated	1,077,129	27,500	1,104,629
Capital Assets, Being Depreciated:			
Buildings	1,933,186		1,933,186
Other Equipment	618,283	15,206	633,489
Vehicles and Equipment	1,145,862	107,839	1,253,701
Infrastructure	323,961	336,423	660,384
Total Capital Assets Being Depreciated	4,021,292	459,468	4,480,760
Less Accumulated Depreciation For:			
Buildings	(253,946)	(22,532)	(276,478)
Other Equipment	(239,172)	(26,865)	(266,037)
Vehicles and Equipment	(562,280)	(79,760)	(642,040)
Infrastructure	(17,190)	(25,581)	(42,771)
Total Accumulated Depreciation	(1,072,588)	(154,738)	(1,227,326)
Total Capital Assets, Being Depreciated, Net	2,948,704	304,730	3,253,434
Government Activities Capital Assets, Net	\$ 4,025,833	\$ 332,230	\$ 4,358,063

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 34,936
Protection to Persons and Property	15,266
General Health and Sanitation	4,652
Social Services	2,091
Recreation and Culture	2,694
Roads, Including Depreciation of General Infrastructure Assets	84,440
Airport	<u>10,659</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 154,738</u>

Capital asset activity for discretely presented component units (Hospital and Airport) for the year ended June 30, 2005.

<b>Discretely Presented Component Unit</b> <b>Taylor County Hospital District/Health Facility Corporation</b> <b>(Hospital) (in thousands)</b>					
<b>(in thousands)</b>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 392	\$	\$	\$	\$ 392
Construction in Progress	<u>507</u>	<u>5,443</u>		<u>(3,700)</u>	<u>2,250</u>
Total Capital Assets Not Being Depreciated	<u>899</u>	<u>5,443</u>		<u>(3,700)</u>	<u>2,642</u>
Capital Assets, Being Depreciated:					
Buildings	23,588	12		3,700	27,300
Equipment	<u>17,944</u>	<u>1,336</u>	<u>(1,054)</u>		<u>18,226</u>
Total Capital Assets Being Depreciated	41,532	1,348	(1,054)	3,700	45,526
Less Accumulated Depreciation For:					
Buildings and Equipment	<u>(22,146)</u>	<u>(2,722)</u>	<u>1,018</u>		<u>(23,850)</u>
Total Accumulated Depreciation	<u>(22,146)</u>	<u>(2,722)</u>	<u>1,018</u>		<u>(23,850)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,386</u>	<u>(1,374)</u>	<u>(36)</u>	<u>3,700</u>	<u>21,676</u>
Capital Assets, Net	<u>\$ 20,285</u>	<u>\$ 4,069</u>	<u>\$ (36)</u>	<u>\$ 0</u>	<u>\$ 24,318</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	<b>Discretely Presented Component Unit</b>			
	<b>Taylor County Airport Board</b>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 13,000	\$	\$	\$ 13,000
Total Capital Assets Not Being Depreciated	<u>13,000</u>			<u>13,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	390,955	20,301		411,256
Equipment	<u>271,454</u>			<u>271,454</u>
Total Capital Assets Being Depreciated	662,409	20,301		682,710
Less Accumulated Depreciation For:				
Buildings and Improvements	(166,411)	(13,263)		(179,674)
Equipment	<u>(235,571)</u>	<u>(5,708)</u>		<u>(241,279)</u>
Total Accumulated Depreciation	<u>(401,982)</u>	<u>(18,971)</u>		<u>(420,953)</u>
Total Capital Assets, Being Depreciated, Net	<u>260,427</u>	<u>1,330</u>		<u>261,757</u>
Capital Assets, Net	<u>\$ 273,427</u>	<u>\$ 1,330</u>	<u>\$ 0</u>	<u>\$ 274,757</u>

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Taylor County Hospital District/Health Facility Corporation	\$ 2,722,135
Taylor County Airport Board	<u>18,971</u>
Total Depreciation Expense - Component Units	<u>\$ 2,741,106</u>

**Note 4. Short-term Debt**

In July 2004, Taylor County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$2,562,400, with principal being due in January 2005. Of the funds, \$2,480,600 was allocated to the General Fund and \$81,800 was allocated to the Road Fund. While the county did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$7,618 and \$251 in the General Fund and Road Fund, respectively.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt**

**Primary Government**

**A. 911 Equipment**

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of equipment for 911. The principal was \$81,000 at a variable percent interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2005 was \$17,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 17,000	\$ 448
Totals	<u>\$ 17,000</u>	<u>\$ 448</u>

**B. Fire Truck**

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck. The principal was \$215,138 at a variable percent interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2005 was \$140,138. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 21,000	\$ 6,558
2007	22,000	5,489
2008	23,000	4,370
2009	24,000	3,202
2010	25,000	2,715
2011	25,138	
Totals	<u>\$ 140,138</u>	<u>\$ 22,334</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Primary Government (Continued)**

**C. Backhoe**

On December 13, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a backhoe. The principal was \$51,957 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2005 was \$21,632. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 10,669	\$ 599
2007	10,963	223
Totals	<u>\$ 21,632</u>	<u>\$ 822</u>

**D. Tractor/Mower**

On November 26, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor and mower. The principal was \$71,183 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2005 was \$29,950. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 14,717	\$ 599
2007	15,233	223
Totals	<u>\$ 29,950</u>	<u>\$ 822</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Primary Government (Continued)**

**E. Animal Shelter Vehicle**

On November 1, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$19,949 at a variable percent interest rate for a period of 5 years, principal is paid annually on January 20<sup>th</sup> with interest paid monthly. Principal outstanding as of June 30, 2005 was \$8,353. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,112	\$ 220
2007	4,241	82
Totals	<u>\$ 8,353</u>	<u>\$ 302</u>

**F. Land Acquisition**

On June 16, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20<sup>th</sup> with interest paid monthly. Principal outstanding as of June 30, 2005 was \$144,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 16,000	\$ 5,311
2007	17,000	4,677
2008	17,000	4,026
2009	18,000	3,341
2010	18,000	2,164
2010-2013	58,000	4,085
Totals	<u>\$ 144,000</u>	<u>\$ 23,604</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Primary Government (Continued)**

**G. Dump Truck**

On October 9, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$67,917 at a fixed 2.97 percent interest rate for a period of 5 years; principal is paid annually on January 20<sup>th</sup> with interest paid monthly. Principal outstanding as of June 30, 2005 was \$41,877. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 13,573	\$ 1,363
2007	13,956	847
2008	14,348	317
Totals	<u>\$ 41,877</u>	<u>\$ 2,527</u>

**H. E911 Upgrade**

On March 23, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an E911 upgrade. The principal was \$61,949 at a variable interest rate for a period of 15 years; principal and interest is paid monthly. Principal outstanding as of June 30, 2005 was \$58,069. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 3,436	\$ 1,999
2007	3,541	1,876
2008	3,649	1,753
2009	3,761	1,621
2010	3,875	1,489
2011-2015	21,227	5,288
2016-2019	18,580	1,371
Totals	<u>\$ 58,069</u>	<u>\$ 15,397</u>



**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Primary Government (Continued)**

**I. 911 Mapping Vehicle**

On November 10, 2003, the Taylor County Fiscal Court entered into an agreement with the Ford Motor Credit Company for the purchase of a 911 mapping vehicle. The principal was \$18,572 at a fixed 5.20 percent interest rate for a period of 4 years; principal and interest is paid annually. Principal outstanding as of June 30, 2005 was \$9,274. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,520	\$ 482
2007	4,754	247
Totals	<u>\$ 9,274</u>	<u>\$ 729</u>

**J. Animal Shelter Vehicle**

On July 9, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$21,000 at a variable interest rate for a period of 5 years, principal and interest is paid monthly. Principal outstanding as of June 30, 2005 was \$17,377. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,065	\$ 462
2007	4,186	341
2008	4,311	217
2009	4,440	87
2010	375	2
Totals	<u>\$ 17,377</u>	<u>\$ 1,109</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Primary Government (Continued)**

**K. Dump Truck**

On November 24, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$72,220 at a variable interest rate for a period of 6.5 years; principal is paid annually on July 20<sup>th</sup> with interest paid monthly. Principal outstanding as of June 30, 2005 was \$72,220. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 10,000	\$ 1,892
2007	10,000	1,594
2008	10,000	1,300
2009	10,000	1,003
2010	10,000	707
2010-2012	22,220	443
Totals	<u>\$ 72,220</u>	<u>\$ 6,939</u>

**L. Changes in Long-Term Debt - Primary Government**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 597,909</u>	<u>\$ 93,220</u>	<u>\$ 131,239</u>	<u>\$ 559,890</u>	<u>\$ 119,092</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 597,909</u>	<u>\$ 93,220</u>	<u>\$ 131,239</u>	<u>\$ 559,890</u>	<u>\$ 119,092</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**Discretely Presented Component Units:**

**M. Taylor County Hospital District/Health Facility Corporation - Note Payable and Capital Lease**

In November 2002, the Taylor County Hospital District/Health Facility Corporation (Hospital) entered into a Loan Agreement with Taylor County Fiscal Court (Issuer) and Community Trust Bank (Lender), to borrow an amount not to exceed \$10,000,000. The draws on the loan have been and will continue to be used for the construction of a Hospital expansion, which includes an ER renovation, an ICU addition, a wing two and three addition, a central plant addition, and a helipad relocation. The amount drawn on the loan equaled \$9,777,544 with interest rates ranging from 3.018 percent to 4.100 percent. Interest only payments are required until November 30, 2004, at which point principal payments began being paid and will continue through November 15, 2022. Interest expense on the note payable totaled \$361,222 for fiscal year 2005. The Hospital is required to maintain a debt coverage ratio of 1.25:1.00. Note payable outstanding for the Hospital as of June 30, 2005, was \$9,777,544.

The Hospital's outstanding capital leases as of June 30, 2005 were \$11,795.

Principal payments on all Hospital long-term debt for the next five years and thereafter are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 367,883	\$ 409,827
2007	408,542	400,479
2008	421,457	382,489
2009	440,160	363,785
2010	459,693	344,252
2011-2022	7,691,604	2,252,138
Totals	<u>\$ 9,789,339</u>	<u>\$ 4,152,970</u>

**N. Changes in Long-Term Debt - Discretely Presented Component Units**

<b>Hospital</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Note Payable	\$ 9,642,384	\$ 135,160	\$	\$ 9,777,544	\$ 361,357
Capital Lease	18,321		6,526	11,795	6,526
Governmental Activities					
Long-term Liabilities	<u>\$ 9,660,705</u>	<u>\$ 135,160</u>	<u>\$ 6,526</u>	<u>\$ 9,789,339</u>	<u>\$ 367,883</u>

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirements System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Insurance**

For the fiscal year ended June 30, 2005, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Accounts Receivable (Discretely Presented Component Units)**

**A. Taylor County Hospital District/Health Facility Corporation**

The Hospital provides services on account without collateral from its patients, most of whom are local residents. The mix of receivables from patients and third party payers at June 30, 2005 was as follows:

Medicare	13%
Medicaid	9%
Anthem/Blue Cross	16%
Private Pay	37%
Other	25%
	<hr/>
Total	100%
	<hr/> <hr/>

In April 2004, the Hospital began allowing prompt pay discount reductions to patient billings in order to encourage timely payment of self-pay receivables. The Hospital allowed reductions in 2005 of \$79,000, which is reported as reductions of gross patient service revenue.

**TAYLOR COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 8. Accounts Receivable (Discretely Presented Component Units-Continued)**

**B. Taylor County Airport Board**

The entity extends short-term credit to its established customers as a convenience. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary.

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**TAYLOR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**





**TAYLOR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 3,168,400	\$ 3,468,400	\$ 3,658,406	\$ 190,006
In Lieu Tax Payments	23,000	23,000	32,499	9,499
Excess Fees	97,663	97,663	95,000	(2,663)
Licenses and Permits	90,000	90,000	109,712	19,712
Intergovernmental Revenue	168,899	250,774	190,359	(60,415)
Charges for Services	31,000	120,500	137,922	17,422
Miscellaneous	310,967	577,616	568,314	(9,302)
Interest	22,500	22,500	24,850	2,350
Total Revenues	3,912,429	4,650,453	4,817,062	166,609
<b>EXPENDITURES</b>				
General Government	949,332	1,002,289	884,370	117,919
Protection to Persons and Property	438,587	463,528	335,276	128,252
General Health and Sanitation	195,801	305,589	217,255	88,334
Social Services	12,500	17,500	13,089	4,411
Recreation and Culture	127,000	199,381	164,588	34,793
Airports	62,929	62,929	62,925	4
Debt Service			86,423	(86,423)
Capital Projects			47,119	(47,119)
Administration	1,806,352	2,326,271	2,147,295	178,976
Total Expenditures	3,592,501	4,377,487	3,958,340	419,147
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	319,928	272,966	858,722	585,756
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds			21,000	21,000
Transfers From Other Funds				
Transfers To Other Funds	(829,928)	(829,928)	(854,890)	(24,962)
Total Other Financing Sources (Uses)	(829,928)	(829,928)	(833,890)	(3,962)
Net Changes in Fund Balance	(510,000)	(556,962)	24,832	581,794
Fund Balance - Beginning	510,000	556,962	670,639	113,677
Fund Balance - Ending	\$ 0	\$ 0	\$ 695,471	\$ 695,471

**TAYLOR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 826,578	\$ 1,026,578	\$ 918,406	\$ (108,172)
Charges for Services	165,000	165,000	189,810	24,810
Miscellaneous	500	12,044	13,036	992
Interest	8,050	8,050	5,579	(2,471)
Total Revenues	1,000,128	1,211,672	1,126,831	(84,841)
<b>EXPENDITURES</b>				
General Government	14,900	14,900	14,462	438
General Health and Sanitation	26,000	26,000	25,137	863
Roads	814,128	1,239,235	690,783	548,452
Debt Service			68,604	(68,604)
Capital Projects			434,852	(434,852)
Administration	145,100	173,757	137,377	36,380
Total Expenditures	1,000,128	1,453,892	1,371,215	82,677
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(242,220)	(244,384)	(2,164)
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds		72,220	72,220	
Total Other Financing Sources (Uses)		72,220	72,220	
Net Changes in Fund Balance		(170,000)	(172,164)	(2,164)
Fund Balance - Beginning		170,000	201,058	31,058
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,894	\$ 28,894

**TAYLOR COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 67,382	\$ 67,382	\$ 99,386	\$ 32,004
Interest	3,000	3,000	5,210	2,210
Total Revenues	70,382	70,382	104,596	34,214
<b>EXPENDITURES</b>				
Protection to Persons and Property	836,735	857,004	787,343	69,661
Social Services	2,000	2,000		2,000
Capital Projects		6,800	6,800	
Administration	61,575	34,506	8,773	25,733
Total Expenditures	900,310	900,310	802,916	97,394
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(829,928)	(829,928)	(698,320)	131,608
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	829,928	829,928	829,928	
Total Other Financing Sources (Uses)	829,928	829,928	829,928	
Net Changes in Fund Balance			131,608	131,608
Fund Balance - Beginning			108,259	108,259
Fund Balance - Ending	\$ 0	\$ 0	\$ 239,867	\$ 239,867

**TAYLOR COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of General Fund**

Total Debt Service-Budgetary Basis	86,423
Less: Debt Service Budgeted in Protections to Persons and Property	(77,895)
Less: Debt Service Budgeted in General Health and Sanitation	<u>(8,528)</u>
Total Debt Service-Final Budgeted Amounts	<u><u>0</u></u>

Total Capital Projects-Budgetary Basis	47,119
Less: Capital Projects Budgeted in General Health and Sanitation	(19,619)
Less: Capital Projects Budgeted in Recreation and Culture	<u>(27,500)</u>
Total Capital Projects-Final Budgeted Amounts	<u><u>0</u></u>

**Reconciliation of Road Fund**

Total Debt Service-Budgetary Basis	68,604
Less: Debt Service Budgeted in Roads	<u>(68,604)</u>
Total Debt Service-Final Budgeted Amounts	<u><u>0</u></u>

Total Capital Projects-Budgetary Basis	434,852
Less: Capital Projects Budgeted in Roads	<u>(434,852)</u>
Total Capital Projects-Final Budgeted Amounts	<u><u>0</u></u>

**TAYLOR COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2005**

**TAYLOR COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Local Government Economic Assistance Fund</b>	<b>Forest Fire Fund</b>	<b>Special Fund</b>	<b>PRIDE Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 18,139	\$ 390	\$ 1,534	\$
Total Assets	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>
<b>FUND BALANCES</b>				
Unreserved:				
Special Revenue Funds	\$ 18,139	\$ 390	\$ 1,534	\$
Reserved for:				
Tebbs Bend Project Grant	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>

**TAYLOR COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2005**  
**(Continued)**

<b>Adanta Fund</b>	<b>Tebbs Bend Fund</b>	<b>Kentucky Agency On Substance Abuse Prevention Fund</b>	<b>Title V Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$ 11,531	\$ 5,873	\$ 264	\$ 37,731
\$ 0	\$ 11,531	\$ 5,873	\$ 264	\$ 37,731
\$	\$	\$ 5,873	\$ 264	\$ 26,200
	11,531			11,531
\$ 0	\$ 11,531	\$ 5,873	\$ 264	\$ 37,731

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**TAYLOR COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**

**TAYLOR COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Local Government Economic Assistance Fund</b>	<b>Forest Fire Fund</b>	<b>Special Fund</b>	<b>PRIDE Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 976	\$	\$
Intergovernmental	22,195		40,745	2,845
Interest	471	21		
Total Revenues	<u>22,666</u>	<u>997</u>	<u>40,745</u>	<u>2,845</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,866	1,248		
General Health and Sanitation				28,750
Social Services				
Roads	15,253			
Capital Projects				4,997
Administration			41,065	
Total Expenditures	<u>18,119</u>	<u>1,248</u>	<u>41,065</u>	<u>33,747</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,547</u>	<u>(251)</u>	<u>(320)</u>	<u>(30,902)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds				
Transfers From Other Funds				24,962
Total Other Financing Sources (Uses)				<u>24,962</u>
Net Change in Fund Balances	4,547	(251)	(320)	(5,940)
Fund Balances - Beginning	13,592	641	1,854	5,940
Fund Balances - Ending	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>

**TAYLOR COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Adanta Fund</b>	<b>Tebbs Bend Fund</b>	<b>Kentucky Agency On Substance Abuse Prevention Fund</b>	<b>Title V Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$
66,612			54,216	976
				186,613
				492
<u>66,612</u>			<u>54,216</u>	<u>188,081</u>
				4,114
			55,020	83,770
68,612	33,892	18,352		120,856
				15,253
				4,997
				41,065
<u>68,612</u>	<u>33,892</u>	<u>18,352</u>	<u>55,020</u>	<u>270,055</u>
<u>(2,000)</u>	<u>(33,892)</u>	<u>(18,352)</u>	<u>(804)</u>	<u>(81,974)</u>
				24,962
				<u>24,962</u>
(2,000)	(33,892)	(18,352)	(804)	(57,012)
2,000	45,423	24,225	1,068	94,743
<u>\$ 0</u>	<u>\$ 11,531</u>	<u>\$ 5,873</u>	<u>\$ 264</u>	<u>\$ 37,731</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





## **PEERCY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Paul W. Patton, Taylor County Judge/Executive  
Members of the Taylor County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 7, 2006, wherein we issued a qualified opinion on the aggregate discretely presented component units. Taylor County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taylor County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

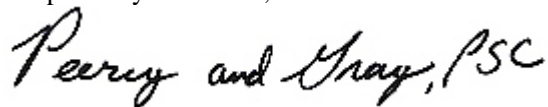
### Compliance And Other Matters

As part of obtaining reasonable assurance about whether Taylor County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

Audit fieldwork completed -  
July 7, 2006



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**TAYLOR COUNTY FISCAL COURT**

**For The Year Ended  
June 30, 2005**



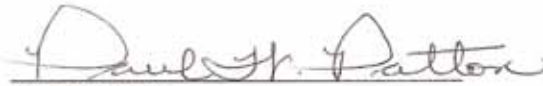
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

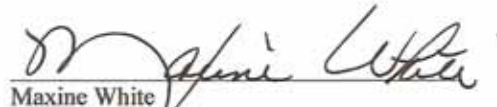
TAYLOR COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Taylor County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Paul W. Patton  
County Judge/Executive



Maxine White  
County Treasurer